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SUBJECT: NATIONAL ASSEMBLY CONSULTS FOREIGNERS ON DOING  
BUSINESS IN VIETNAM

11. (U) SUMMARY: The Foreign Affairs Committee of the National Assembly (FACNA) organized a consultative meeting on September 1, 2005, in Ho Chi Minh City (HCMC) to solicit direct feedback from foreign businesspeople on how the implementation of Vietnam's regulations and policies affect them. The discussion was frank and constructive, concentrating on business, taxation, and residence issues. The foreigners' responses highlighted three themes: namely, inconsistent implementation of central government policies/regulations across provincial sub-agencies, cumbersome administrative procedures, and limited access to implementation guidelines and regulations. FACNA appeared to take seriously the recommendations made by foreign representatives. After FACNA finishes gathering and analyzing data from survey questionnaires and eight consultative group meetings, it will submit a final report to the National Assembly in late October. END SUMMARY.

#### Immigration and Residence Formalities

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12. (U) The foreign reps characterized Vietnam's immigration and residence procedures as somewhat difficult, its handling of immigration formalities as average, and its residence permit process as problematic. Foreign reps recommended that the Government of Vietnam (GVN) adopt best practices from Hong Kong, Thailand and Singapore: namely, a multi-year visa, permanent residence status for investors and a central website for all immigration issues.

#### Business Issues

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13. (U) The majority of participants characterized Vietnam's business environment as average overall; its business procedures as cumbersome, its legal framework as below average, its tax incentives as good, and its judicial practices as unreliable.

14. (U) Investment Procedures: Many foreign reps said there were excessive administrative procedures, which often caused complications when unified actions by different ministries, industries and provinces were required. Some businesses experienced prolonged appraisals for their investments and had to liaise with central and local authorities directly to fulfill their investment obligations.

15. (U) Customs Procedures: Some complained about inconsistent implementation of Customs procedures at the local level. Shipments upon entry into Vietnam, they said, experienced a high degree of inspections and requests for additional information. Importers eager to comply with documentary requirements or wanting to appeal officials' decisions found it difficult to obtain clear written procedures from local Customs on the process.

16. (U) Bankruptcy, Litigation, and Company Searches: Other participants cited problems with the lack of procedure for accessing information on corporations and state-owned enterprises. When performing due diligence checks, some law firm reps said there was no formal process to do bankruptcy, litigation, and company searches at the People's Court or the Department of Planning and Investment. Working level civil servants there are still unable to provide clear written instructions on such procedures, they said.

17. (U) Recommendations: Foreign reps suggested the GVN issue policy implementation guidelines at Customs, the courts, and DPI at the local level. Participants also recommended that the GVN rationalize and streamline administrative procedures for investment licenses and appraisals. The foreign reps suggested that the GVN consider technical assistance training to improve its

customs system and procedures.

Taxation  
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18. (U) In contrast to satisfaction with tax incentives offered investors, most participants described the GVN's tax procedures as complicated and implementation as slow and often inconsistent. Many noted that Vietnam's tax regime was more burdensome across the board than those of other ASEAN countries. Corporate tax, VAT and special consumption tax rates in Vietnam were comparably higher. Foreign reps recommended that the GVN look to Hong Kong, Singapore and Thailand as possible models.

Comment  
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19. (U): The comments and suggestions made by the foreign representatives were well-received by FACNA. It was evident that GVN policymakers are keen on monitoring progress and making adjustments to suit foreigners operating in Vietnam, as they pursue greater economic integration and more FDI. The consultative group meeting yielded three themes for the GVN's policymakers to address: (i) streamline administrative barriers, (ii) ensure consistent implementation of policies across provincial sub-agencies, and (iii) improve access to policy implementation guidelines at the local level. END COMMENT.

WINNICK